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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 002513

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SUBJECT: WANG JIN-PYNG PREDICTS ARMS BUDGET BY DECEMBER

Classified By: Director Stephen M. Young, Reason(s): 1.4 (B/D).

11. (C) Summary: KMT LY President Wang Jin-pyng predicted to the Director on July 25 that the LY would agree to an arms budget no later than this December, which would include the P-3Cs, and possibly PAC-II upgrades and limited funds for a submarine feasibility study. According to "close hold" information, former President Lee Teng-hui may be scheming to have Vice President Annette Lu replace President Chen, Wang alleged. KMT Chairman Ma Ying-jeou now opposes a no-confidence vote against Premier Su because he fears Chen would appoint Wang as the new premier. According to Wang, Ma enjoyed less success in Japan than Wang did in his earlier trip, because the Japanese perceive Ma as anti-Japan. Wang expressed a desire to visit the Mainland and also said he was working with former KMT Premier Vincent Siew on a plan to increase PRC access for Taiwan banks. End Summary.

Defense Budget by December?

12. (C) In a meeting with Kuomintang (KMT) Legislative Yuan (LY) President Wang Jin-pyng on July 25, the Director stressed the importance of moving forward on arms procurement in the LY this fall. Wang asserted that the DPP was most responsible for the delay, sitting on the arms procurement proposal for so long, and then delivering it to the LY in an unworkable form. But he acknowledged that since 2004, the onus for continuing delays had shifted to the Pan-Blue dominated LY.

13. (C) The Director urged Wang to forget about the past and focus on improving Taiwan's ability to defend itself. Taiwan's friends in the U.S. are concerned that Taiwan leaders no longer have the resolve to defend Taiwan, which has negative implications for U.S.-Taiwan relations and could embolden the PRC to take Taiwan by force. Taiwan must maintain a convincing defense capability to protect its hard-won liberties now and to ensure that any future negotiations with the PRC are conducted on an equal basis.

14. (C) Wang agreed with the Director that the "blame game" continued to be the largest obstacle to reaching cross-party consensus on the defense budget. Wang added that no one in Taiwan should take Beijing's words lightly, since the communists view retaking Taiwan as the last piece in the puzzle of restoring China's dignity.

15. (C) The Director urged Wang, as LY speaker, to play a pivotal role in brokering cross-party consensus on the defense budget. Wang seemed eager to play such a role and expressed confidence that the LY would approve a defense budget by December 2006. Wang explained that the first two months of the LY session would be dedicated to planning the legislative agenda. Assuming the Executive Yuan provided the LY with a workable defense budget proposal, Wang said, he would recommend during the scheduling phase that the LY set aside a special period to debate and vote on it. If all went well, Wang continued, the LY could begin deliberations on the defense budget by late October, and pass a bill by the end of December.

16. (C) Wang predicted the LY would approve the purchase of the P-3C ASW aircraft, which enjoy broad cross-party support. Wang said consensus is also building in favor of funding a NT\$200 million (US\$7 million) submarine feasibility study. The Director reminded Wang that the estimated cost of a full feasibility study was closer to US\$360 million. Wang replied that the feasibility study might proceed to a second, separately funded design stage after initial feasibility studies were completed. Wang also stated that he and KMT Chairman Ma Ying-jeou favored purchasing the upgrades to existing PAC-II missiles during this LY session, but would have to wait until after March 2007 to consider buying new PAC-IIIs, because of the KMT's referendum-related "ban" on PAC-III missiles until that date.

Lee Teng-Hui Backroom Deal with VP Annette Lu?

17. (C) Wang Jin-pyng told the Director it would not be in

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character for President Chen to voluntarily step down, barring overwhelming public pressure. Such pressure, Wang suggested, could come from former President Lee Teng-hui publicly calling on Chen to step down to make way for Vice President Annette Lu. Based on "close hold" information from an undisclosed source, Wang claimed that Lee had decided on the conditions he would demand Lu accept in exchange for his support: she must promise not to run for president in 2008, she must grant President Chen a full pardon for any alleged crimes, and finally, she must promise to preserve and promote Taiwan's sovereignty, but not pursue independence. Wang did not identify the source of his information or say whether Lee had already conveyed a proposal to Lu. The Director responded that both the PRC and the Pan-Blues have their own reasons to resist a Lu presidency, and he expressed doubt that Lu herself would be willing to forego a candidacy in 2008.

Wang Willing to Cooperate on Cross-Strait Agenda

18. (C) The upcoming Conference on Sustainable Economic Development is not likely to produce any significant breakthroughs in cross-Strait relations, Wang remarked, but there is much important work to be done. Wang will co-chair the conference with Premier Su Tseng-chang and Vincent Siew, a former KMT premier and current chairman of the Chunghua Institution for Economic Research. Wang said he has agreed to work closely with Siew to facilitate access to the Mainland market for Taiwan banks. This is essential, Wang said, because Taiwan businesses in the PRC do not have access to financial services and are therefore at a significant competitive disadvantage. Wang also expressed admiration for Vice Premier Tsai Ing-wen's economic policy acumen, giving her credit for the Executive Yuan's increasingly pragmatic cross-Strait policies.

Wang is the Reason Ma Opposes No-Confidence Vote?

¶9. (C) There is little chance for a no-confidence vote against Premier Su this fall, Wang said. Ma Ying-jeou opposes such a vote because he is fearful that President Chen would choose Wang himself as the new premier. At this point, Wang added, there is no consensus within the Pan-Blue LY caucus on the need for a no-confidence vote or a second recall, but neither could be entirely ruled out.

No Coordination with Ma on Japan Trips -----

¶10. (C) Wang said that he and Ma had not coordinated the timing of their respective visits to Japan. Wang noted that he had met with Japanese Chief Cabinet Secretary Shinzo Abe during his visit, while Ma had not been able to do so, a fact he attributed to Japanese perceptions of Ma as anti-Japan. Wang said he has very close relations with many within the Japanese government, seeming to imply that he was more capable than Ma of successfully managing KMT relations with Japan. (Note: KMT legislator and Ma advisor Su Chi, who accompanied Ma to Japan, said Shinzo Abe was unable to meet with Ma because he was preoccupied by the North Korean test-firing of long range missiles, which occurred during Ma's Japan visit. End note.) According to Wang, his Japanese interlocutors pressed him to support Taiwan's participation in a U.S.-Japan-Taiwan security arrangement. Observing that U.S.-Japan and U.S.-Taiwan relations are quite good, the Director suggested that any trilateral grouping would be counterproductive, given the sharp Chinese reaction it would be sure to trigger.

Wang Formulating Own PRC Visit Agenda -----

¶11. (C) Wang said he had received an open-ended invitation and would like to visit the Mainland. He would like to accomplish something new during such a visit, but had not yet decided what that could be. Noting that neither former KMT Chairman Lien Chan nor PFP Chairman James Soong had touched on the question of "One China" during their respective visits, Wang postulated that he might be able to encourage

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PRC acceptance of the KMT's "One China, Different Interpretations" policy as a basis for future cross-Strait dialogue.

Comment:

¶12. (C) Wang is always hedging his bets. On one hand, he seems willing to work with Ma in trying to broker a compromise between the Pan-Blue and Pan-Green on the long-stalled arms budget. On the other hand, he is willing to discuss quite openly Ma's flaws and his own ambitions, including his hope to break new ground in the PRC. Wang, who doubtless hopes to continue playing an important role in Taiwan politics beyond 2008, is assiduously cultivating close ties with both friends and foes of Chairman Ma.

YOUNG